

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15

AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-04 OPIC-06

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FM AMCONSUL TORONTP

TO SECSTATE WASHDC 4169

INFO AMEMBASSY OTTAWA

UNCLAS TORONTO 1505

E.O. 11652: N/A

TAGS: EINV, EFIN, SOPN, CA

SUBJECT: FINANCIAL POST TERMS WHITE PAPER ON BANKING "FUZZY" AS MANY  
POINTS

ARE UNCLEAR -- MEDIA REACTION

1. THE FINANCIAL POST OF 11 SEPTEMBER REACTED TO THE CANADAIN GOVERNMENT'S

WHITE PAPER ON BANKING AS CONTAINING SEVERAL AREAS THAT ARE UNCLEAR  
AND SAID THAT "A CONSIDERABLE DEGREE OF UNCERTAINTY WILL OVERHANG  
THE FINANCIAL COMMUNITY FOR SOME TIME BECAUSE ALTHOUGH THE WHITE  
PAPER APPEARED REASONABLY DETAILED IN SOME RESPECTS, THERE ARE SOME  
QUESTIONS WHICH OTTAWA HASN'T YET DECIDED HOW TO ANSWER."

2. ONE ASPECT OF THE PROPOSED REVISION OF THE BQNK ACT WHICH THE  
FINANCIAL POST DELINEATED AS UNCLEAR IS THAT THE GOVERNMENT OF CANADA  
AT THIS TIME DOES NOT KNOW JUST HOW MANY FOREIGN FINANCIAL  
INSTITUTIONS WILL APPLY FOR CHARTERED BANK STATUS OR HOW MANY  
WILL BE WELCOMED AND UNDER WHAT CONDITIONS. THE WHITE PAPER ON BANKING

WAS ALSO UNCLEAR AS TO WHETHER THESE NEW BANKS WOULD BE REQUIRED TO  
OFFER CHECKING SERVICES AS CONDITION OF THEIR CHARTER AND WHETHER  
THE GUARANTEE OF THE FOREIGN PARENT BANK WOULD BE PROHIBITED BY OTTAWA

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FOR A FINANCIAL INSTITUTION NOT WANTING TO BECOME A BANK UNDER THE NEW LAW, BUT WISHING TO CONTINUE IN THE COMMERCIAL PAPER MARKET OR IN A LEASING OR FACTORING SPECIALITY. ANOTHER AREA OF GREAT UNCERTAINTY IS THE PROPOSED REQUIREMENT THAT FOREIGN BANK SUBSIDIARIES BE LIMITED IN THEIR OPERATIONS TO 15 PERCENT OF TOTAL COMMERCIAL LENDING IN CANADA; OTTAWA HAS NOT YET DEFINED "COMMERCIAL LENDING" OR WHETHER THE REQUIREMENT WOULD APPLY ONLY TO CHARTERED BANKS, WHETHER IT INCLUDES MORTGAGE LENDING AND IF IT ENCOMPASSES FINANCE COMPANIES, LEASING COMPANIES, ETC. ANOTHER VEXATIOUS AREA OF UNCERTAINTY IS THAT OF "RECIPROCITY" AND "JURISDICTION" -- OTTAWA HAS YET EITHER TO DEFINE THESE TERMS. ALSO THE "REASONABLE PERIOD OF TIME TO DISPOSE OF RELATED OPERATIONS" OF THE WHITE PAPER HAS NOT YET BEEN QUANTIFIED.

3. AS THE FINANCIAL POST PIECE SUMS UP: "FOREIGN BANKERS SEEM CONFIDENT THAT OTTAWA WILL BE REASONABLE ON THAT ONE (I.E., REASONABLE TIME). 'BUT WE NEED ANSWERS TO A LOT OF QUESTIONS BEFORE TOO LONG,' ONE COMMENTS, 'IT IS VERY DIFFICULT TO PLAN IN AN ENVIRONMENT OF SUCH UNCERTAINTY'."

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